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AUTHOR Wendling, Wayne
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ABSTRACT

A review of the major studies of administrative behavior introduces this consideration of what features of administrative agencies, either in structure or patterns of organization, have been associated with their successful operation. The theories of interorganizational relations reviewed include the political economy approach, the organization set model, the exchange theory, the power dependency approach, and an integrated model employing both the exchange and power dependency theories. Two theories, the political economy approach and the organization set model, are helpful in examining case studies of the behavior of several administrative agencies, including the Federal Trade Commission, the Food and Drug Administration, and two Public Relations Employment Boards (PERBs), and in predicting the response of the network of organizations to certain changes. PERBs are examined in light of five hypotheses about interorganizational relationships proposed by William Evan. The paper concludes that the organization set approach seems to be the most appropriate construct for analyzing relationships among school district employees, school districts, and the administrative agency. Suggestions are offered for establishing the autonomy of PERBs while maintaining accountability, for controlling the size of PERBs, and for appointing commissioners and other personnel. (Author/WD)

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WORKING PAPERS IN EDUCATION FINANCE

Paper No. 31

ADMINISTRATIVE AGENCIES: ISSUES AND PROBLEMS IN PUBLIC EDUCATION COLLECTIVE BARGAINING

By

Wayne Wendling

July 1980

Education Finance Center
Education Commission of the States
Suite 300, 1980 Lincoln Street
Denver, Colorado 80295

(303) 861-4917

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INTRODUCTION

The structure of administrative agencies and their clients in the arena of collective bargaining between public school employees and school boards differs from the structure seen in other administrative/regulatory situations. Generally, the industry to be regulated consists of a few firms and the agency acts on requests for rate changes and alteration of services. The industry members negotiate with the agency and among themselves over the requested changes. The industry also may interact with numerous individual consumers, who seldom are organized sufficiently to be a strong bargaining partner. Therefore, the primary interrelationship is between the industry and the agency. The structure for public school negotiations and agency behavior instead has two main groups, the labor organization and the school board, and the administrative agency oversees the process between the two. Since competing groups are before the agency at all times, the agency is less likely to be captured by one side, a concern which dominates much of the existing literature of administrative/regulatory agencies./1

The behavior of administrative agencies should be an important concern for the public. Specifically, the maturation of teacher collective bargaining (Perry, 1979) and the growth of bargaining for administrators will result in the need to rule on disputes that fall outside traditional bilateral negotiations but, instead, require the interpretation of statutes and a sense of the public well-being. Furthermore, the numerous bargaining parties on both sides -- teachers, principals, other administrators and assistants all negotiating with the school board -- require that a third party maintain uniformity in the decisions on scope and the interpretation of bargaining limits.

The purposes of this paper are: (1) to review the major studies of administrative behavior -- both theoretical articles and individual case studies -- and (2) to address the issue of what features of these agencies, either in their structure or patterns of organization, have been associated with their successful operation. Since the literature on these administrative agencies is quite limited, the theories of interorganizational behavior should provide a framework for analyzing the existing operations and speculating about future issues.

The final product will include an analysis of research and its implications for administrative agencies that oversee collective bargaining between school boards and their employees. Section I discusses alternative theories of interorganizational relations. These theories include: (1) the political economy approach, (2) the organization set model, (3) the exchange theory, (4) the power dependency approach, and (5) an integrated model employing both the exchange and power dependency theories. Section II describes a number of the case studies of agency behavior and the implications for elementary/secondary education negotiations are analyzed in Section III. Conclusions are presented in the final section.

THEORIES OF INTERORGANIZATIONAL BEHAVIOR

The starting point of any analysis of administrative agencies must be theories of interorganizational behavior. These theories address the nature of the interaction between the parties and, in some instances, predict the outcomes of these relationships. The structural relationship being studied here differs from that of many other administrative situations, such as the economic regulation of surface transportation, airlines or the public utilities. In those circumstances, the interorganizational relationship is established when the agency is assigned to monitor and regulate the behavior of an industry, ostensibly with the public interest in mind. In the situation under consideration here, an interorganizational relationship already is in place between the bargaining unit and the school board. The agency generally is charged with monitoring the formalized relationship and settling disputes between the parties. There are some similarities in the activities, however, such as new service proposals for freight transport relative to representation elections in school districts.

Five general theories will be presented and discussed in terms of the interorganizational structure under consideration. Two of the theories probably are most salient because they analyze the structures already in place. These are: (1) the interorganizational network as a political economy and (2) the organization set model. The other approaches -- the exchange theory, the power dependency approach and the integrated model employing both the exchange and power dependency theories -- will be presented but used mostly to analyze the interaction between subgroups of this network or set of organizations.

The Political Economy Model

Benson (1975) suggested the interorganizational network can be viewed as a political economy. The network of organizations is the basic unit of analysis. The organizations within the network are characterized by having a significant amount of interaction with each other. In this respect the network appears to be very similar to the organization set as defined by Evan (1972), which will be discussed later.

Resource acquisition is the fundamental basis of interaction among organizations in the network. Two scarce resources are distributed in this economy: money and authority. The orientation towards resource acquisition may become the operational definition of the purpose of the organization and the explicit responsibilities of the decision makers. Activities that lead to the acquisition and defense of resources are legitimized by authority and money permits the necessary functions./2 Domains are the result of legitimized resource acquisition and defense activities.

Organizations in a network may have different levels of power. Differential power may arise either from the structure of the internal network or from external linkages to the network that an organization may possess. The internal network may be structured such that one organization has a strategic location. This organization may be able to assign resources ostensibly controlled by other organizations or may simply own control over the actual resources. For example, the department in a governmental agency or series of agencies that controls the assignment of offices and the purchasing of equipment can exert more influence than is commensurate with its responsibility. An external linkage, such as being part of a much larger labor organization, may result in a differential flow of resources to the network. For instance, consider an interorganizational network to consist of the teachers' bargaining unit, the school board, the administrative agency and possibly the state legislature. If the teachers' bargaining unit is part of a politically powerful union in that state, the state level organization may be able to influence the legislature to direct more resources to education. In summation, "the primary effects of interorganizational power lie in the control of network resources, including the flow of resources to other agencies" (Benson, p. 234).

Equilibrium is another characteristic of the interorganizational network. Benson asserts that it occurs when organizations in the same network are engaged in cooperative and coordinated interactions based on consent and respect. Four dimensions of interorganizational equilibrium are suggested:

1. Domain Consensus, which is the agreement among participants in organizations regarding the appropriate role and scope of an agency;

2. Ideological Consensus, which is the agreement among participants in organizations regarding the nature of the tasks by the organizations and the appropriate approaches to those tasks;

3. Positive Evaluation, which refers to the judgment by workers in one organization of the value of the work of another organization; and

4. Work Coordination, which refers to the patterns of collaboration and cooperation between organizations. Work is coordinated to the extent that programs and activities in two or more organizations are geared to each other with a maximum of effectiveness and efficiency.

Benson asserts that dimensions should be balanced in order for equilibrium to persist, e.g., if one dimension moves in one direction, the other components should move in the same direction. However, this definition of balance seems simplistic and is not intuitively obvious. First, causality is not recognized. Ideological consensus probably is a precondition for work coordination. A definite goal or series of goals is necessary before the separate elements will agree on the work coordination. Without an agreed upon goal, individuals will use resources to achieve their separate goals rather than the organizational one. Without this directional association, one is assuming the "invisible hand" approach./3 Conversely, it is possible that the more necessary condition for equilibrium is that some dimensions move in the opposite direction. For instance, if domain consensus decreases then positive evaluation must increase in order to maintain equilibrium. A decrease in domain consensus could ultimately stifle an organization network as more resources are expended to establish turf. However, as the positive evaluation of the organization where domain is in question increases, other organizations are more likely to demur to that organization's domain and the network can retain its balance.

Finally, the operation of the interorganizational network is affected by the environment in which it

operates. The environment may affect the availability of resources to the network or it may alter the method of distributing resources within the network. For instance, the antiregulation environment in the United States today probably has affected the flow of resources to the Federal Trade Commission (FTC). This in turn, should alter the critical linkages in the FTC's network.

The political economy approach may be one framework for analyzing administrative behavior towards the collective bargaining process between school district bargaining units and school boards. Specifically, it is possible to conceive of an interorganizational network consisting of local boards, the local teachers' bargaining unit, the PERB or other administrative agency, the state teachers' organization, the state association representing school boards and the state legislature. The importance of the state legislature in the input set probably is related to the proportion of education expenditures provided at the state level relative to those provided locally. The state legislature has the primary access to monetary resources, but the teachers' union and the state organization of school boards can offer to trade one resource (votes) for another resource (education spending). The local teachers' bargaining unit and the local school board may vie over the distribution of the additional resources with the PERB entering if a dispute arises over whether the distribution favors one side over the other.

Organization Set Model

The organization set model was developed by Evan (1966, 1972). The model has four components: (1) the focal organization -- the one to be analyzed, (2) an input organization set -- those which provide resources, cues and constraints to the focal organization, (3) an output organization set -- those which tend to receive resources, cues and constraints from the focal organization and (4) feedback effects -- the flow of information from the output set to the input set. The dimensions of the organization set are determined by the size of the set, the diversity of the input and output sets and the configuration of the network -- the pattern of relationships between and among the input set, output set and focal organization. Evan describes a network according to Benson's formulation, but the organization

set model is distinguished by its focus on a focal organization.

The organization set may have a number of configurations. Four examples provided by Evan include a dyad, a wheel network, an all channel network and a chain network. Each is graphically portrayed in Figure 1. A dyad is characterized by the focal organization interacting only with an individual organization in either an input or output set. One example of this is the traditional collective bargaining model in which the teachers' bargaining unit and school board interact directly. Either one could be considered the focal organization, depending on the interests of the researcher. The wheel network has the focal organization interacting with a number of organizations but none of them have independent interactions with each other. An example of this could be when a school board negotiates with a series of bargaining units representing different classifications of employees, but the bargaining units are affiliated with different unions and no coalition bargaining takes place.

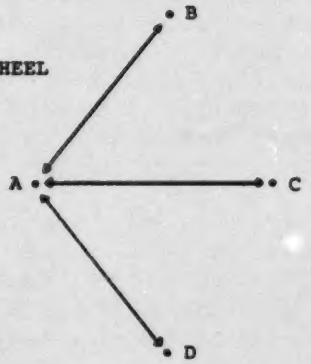
The all channel network is characterized by all members of the organization set interacting with each other as well as with the focal organization. This relationship could depict the interaction among several bargaining units that are all affiliated with the same union and which meet formally to establish bargaining goals or that bargain as a coalition with the focal organization. Finally, the chain network links all organizations but all organizations do not have direct contact with each other. Further, the focal organization is the only one to initiate action. This configuration does not appear to represent a structure currently in use in collective bargaining. Instead, it could characterize the relationship between a contractor and a subcontractor who also has a subcontractor.

One of the more innovative features of the organization set model is the emphasis on the role of boundary personnel, the persons who tend to interact directly and most frequently with other organizations. Boundary personnel can enhance the performance of the agency or undermine the entire administrative structure. Evan suggests that special care should be taken in recruiting boundary personnel. If selected appropriately, they

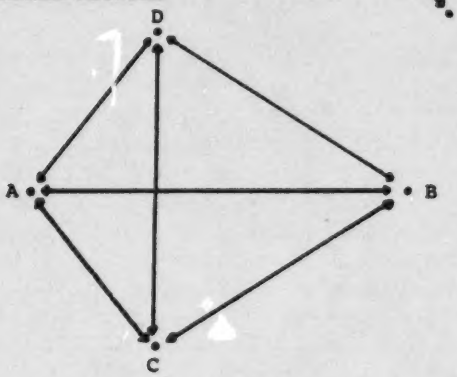
Figure 1.

I. DYAD

II. WHEEL



III. ALL-CHANNEL NETWORK



IV. CHAIN

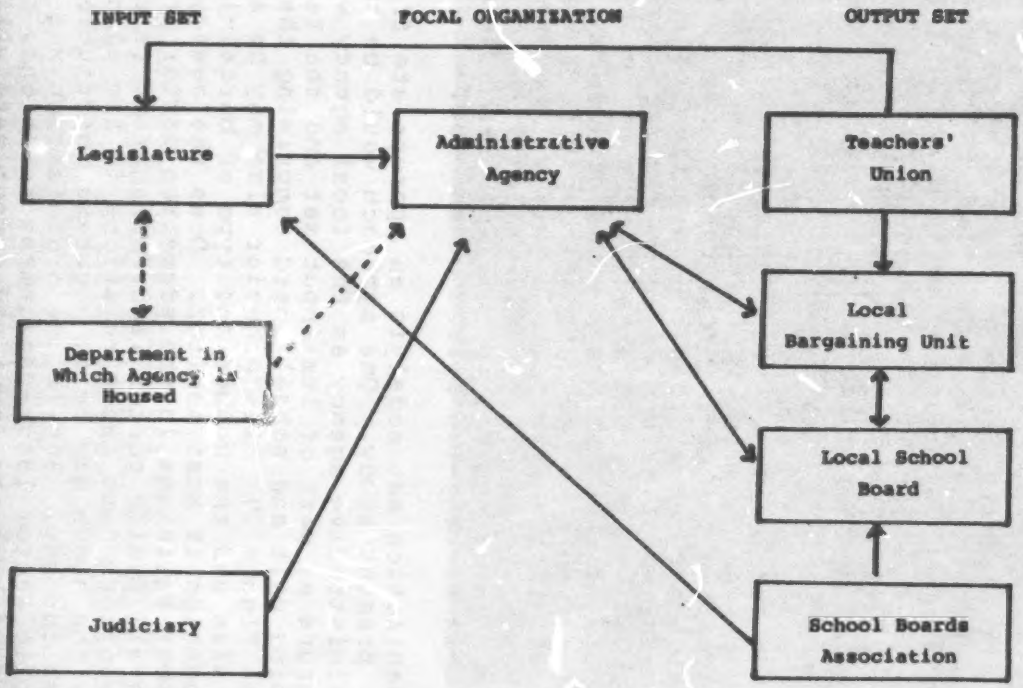
SOURCE: Evan, William M. "An Organization-Set Model of Interorganizational Relations," Interorganizational Decision Making. Edited by Matthew Tuite, Roger Chisholm and Michael Radnor. Chicago, Ill.: Aldine Publishing Company, 1972.

will be speaking the same language (have similar training) as their counterparts in the organization they are administering, and therefore, be more effective. One of the potential problems is that boundary personnel, after having substantial interaction with other organizations, may adopt the viewpoint of those organizations, and thereby, become co-opted. This has been a particular problem for boundary personnel of regulatory agencies and has been cited as one reason for the failure of regulatory agencies to effect the public interest (Hilton, 1972). One manifestation of the above is the movement of agency employees to the payrolls of firms that they formerly regulated. The move, it is argued, usually is preceded by less than rigorous regulation.

An alternative way of stating the above is that the boundary personnel adopt the agency to be regulated as their normative reference group rather than as their comparative reference group. A normative reference group is one whose values or goals (in some form) have been adopted by the focal organization or by key persons in the organization. A comparative reference group is one that serves as a standard of comparison, a competitor. Thus, if the firm to be regulated becomes the normative reference group, discretionary interpretations of regulations may be favorable to the regulated rather than meeting the spirit of the law.

The organization set model is an appropriate framework for the present study. One approach would be to view the administrative agency as the focal agency with the legislature as part of its input set and the teachers' bargaining unit and school board comprising the output set (see Figure 2). Its behavior also may be affected by its size and the number and type of bargaining relationships it must monitor. Does the agency monitor just labor relations in the education sector or does it oversee all public sector labor-management relations? If it monitors just labor relations in the education sector, the above may be an accurate description of the organization set. But if the organization set includes all public sector labor-management relations, the elements of both the input and output sets will change and possibly produce different interactions. Or the other hand, is the administrative agency the focal organization or would it be more accurate and fruitful to concentrate on the legislature as the focal organization? These issues will be addressed in more detail in Section IV. The two theories of interorganizational

FIGURE 2. AN ORGANIZATION SET



behavior discussed above provide guidelines for analyzing the interorganizational behavior of this network or set of organizations. A key feature within this set is how organizations interact with each other. There are a number of possible bilateral relationships which may impact significantly on the functioning of the network. Three theories that address the bilateral relationships are discussed below.

The Exchange Theory

The exchange theory posits that mutual benefits or gains can be derived from interacting (Schmidt and Kochan, 1977). Generally, the relationship between parties is characterized by cooperation rather than bargaining because joint benefits can be maximized by the cooperative approach. Thompson (1967) analyzed exchange in terms of interdependence. Specifically, in the context of interdependence, an increase in the power of one party does not mean that the other party has lost power. Rather, it is possible that the new power of both combined may increase as a result of increasing interdependence. Tuite (1972, p. 11) indicates that the recognition and implementation of the joint decision-making process is composed of three steps:

1. Recognition that interdependencies exist between the decision units,

2. An intervention which facilitates consideration of these interdependencies in the decision-making process, and

3. Selection of a technology for making the decision.

The exchange perspective implies that both parties are self-impelled to interact rather than being forced to by statute.

Initially, it may appear that the exchange perspective has no role in the study of collective bargaining, particularly in regard to the behavior of administrative agencies. This may not be the case. Consider the situation characterized by declining resources for education. In this situation the traditional bargaining adversaries may join to lobby for greater resources, the split of the incremental resources between the union and

the school board being determined as a result of the technology (Tuite). The administrative agency may be incorporated into this process by affirming the results of the bargaining process which have led to increased resources targeted for this sector, through mediation procedures or through developing a list of arbitrators who are known for their generous recommendations. This could be considered an example of co-optation. A more jaundiced perspective could suggest that the actual bargaining between teachers and school boards is an exchange process, with the administrative agency providing legitimacy, in which the interdependence has been designed to extract more resources from the public fisc than the school boards could individually. A more traditional view suggests that the exchange perspective is not germane to administrative agency behavior with respect to collective bargaining in elementary/secondary education.

The Power Dependency Approach

The power dependency approach assumes that the motivation to interact is asymmetrical: one party desires to interact, the other does not (Schmidt and Kochan, 1977; Mindlin and Aldrich, 1975). The inter-organizational relationship forms when the party desiring to interact is strong enough to induce the reluctant party to do so. Another perspective of dependence is provided by Emerson (1962), who suggested that one party's dependence on a second was "directly proportional to [one party's] motivational investment in goals mediated by [the other party], and inversely proportional to the availability of those goals to [the first party] outside of [this two party] relation."/4

The implication of dependency is that one party would have little or nothing to gain from the relationship. Therefore, the motivation to interact must be generated by external forces such as legislative fiat. Since the basis of the relationship is not to maximize a joint product, the power dependency relationship probably is characterized by bargaining and conflict.

The power dependency approach may be an appropriate construct for evaluating administrative agency behavior. The motivation for either the teachers' union or school board to establish a relationship with the agency is uncertain and depends on the powers granted to the agency. Specifically, if the administrative agency has

some control over additional resources or the distribution of existing resources, both parties may be motivated to interact with the agency. If the agency has little control over additional resources, the motivation may lie in statutes requiring local school boards and bargaining units to take their disputes to the administrative agency. The effectiveness of the administrative agency probably is dependent on the substitutes available. For example, are the union and state school board association likely to obtain more resources by going to the legislature and governor or should their efforts be concentrated on local officials, particularly in fiscally dependent school districts?

Integrated Power Dependency and Exchange Models

The integrated power dependency and exchange model recognizes that the same organization can have a symmetrical (exchange) relationship with one organization while simultaneously having an asymmetrical (power dependent) relationship with another organization in its same set (Schmidt and Kochan, 1977). Furthermore, it suggests that the interaction between two organizations may move from being largely exchange to a power dependency one, and viceversa.

The combined approach appears to be an explanatory device for the study of the interaction between school boards, labor unions and administrative agencies. During the early days of recognition and bargaining, the union may have been in a power dependency relationship with the school board. Management controlled the resources and the union sought to effect a different distribution of resources. Absent bargaining statutes which required collective bargaining, there was little or no incentive for school boards to negotiate. Threats to withhold labor were sanctioned by statute in only a few states. However, market conditions provided the incentive for the school boards to interact. The quantity of teachers supplied tended to be less than the quantity demanded and in order to assure a continued supply of personnel, certain concessions had to be made. The changing market conditions may also have been accompanied by changing philosophical conditions as manifested by increased militancy. As the bargaining process has matured and particularly as the education industry has had access to a dwindling quantity of resources, the interaction may be moving closer to the

exchange model.

The administrative agency enters this model in the following manner. PERBs are established by statute in individual states and their responsibilities vary. PERBs generally can only respond to requests, so a power dependent relationship may be the rule. As PERBs become more established, the relationship may change, however. Specifically, if the PERB is effective at settling disputes with a minimum resource cost, and if the PERB becomes adept at locating potential problem areas, the relation may be characterized by the exchange process as the parties seek out the PERB. However, if the PERB is perceived to be ineffective, the relationship will be a power dependent one as the only interaction will be that mandated by statute. Therefore, one way to establish what type of relationship exists is to tabulate the number of interactions between the PERB and its clients. A relatively high degree of interaction should indicate an exchange relationship whereas a low degree of interaction should indicate a power dependent relationship (Schmidt and Kochan).

THE BEHAVIOR OF ADMINISTRATIVE AGENCIES

The presentation and discussion of the theories of organizational behavior, particularly the political economy approach and the organization set model, have provided a framework for studying the behavior of administrative agencies and for predicting the response of the network of organizations to certain changes. Some researchers have already studied regulatory/ administrative agencies through the case study method. A number of these studies will be discussed in this section. Furthermore, evaluations of several PERBs have been completed recently and those findings also will be described.

Federal Regulatory Agencies

Federal Trade Commission (FTC)

One administrative agency that has been the subject of a number of studies is the Federal Trade Commission (FTC). The FTC is an independent regulatory commission which is charged with fostering competition between firms and protecting consumers from unfair business practices by firms. The FTC accepts complaints from individuals and business organizations relating to noncompetitive or unfair practices. Staff attorneys study the complaints and decide whether the complaint should be investigated further. If it is determined that the complaint has merit, it may be prosecuted by agency staff and adjudicated by FTC hearing examiners. If not resolved, the case is argued before the FTC commissioners. Bureau staff can also initiate an investigation.

Nystrom (1975) modeled the dynamics of the budgeting, workload and performance of the FTC. He related input and output information to form a dynamic model of the organization. Nystrom chose six variables for in-depth consideration. These were (1) the funds requested, (2) the funds appropriated, (3) the investigations completed, (4) the number of formal complaints, (5) the cease and desist orders issued and (6) the number of litigations. Among the more interesting findings were those showing that funds appropriated were almost a constant proportion of funds requested and that the number of litigations were negatively related to the aggressiveness of the business against whom the order

had been issued.

Aggressiveness was measured by the ratio of contested orders to total orders. Perhaps the more interesting aspect is what factors were not related at a statistically significant level to these variables. Funds appropriated were not related to labor productivity, nor capital productivity./5 In some respects, the nonsignificance may be interpreted as an indication that the environment and the activities of the agency are not relevant to the budgeting process. A specification not utilized but having import for our consideration was the effect of the aggressiveness index on the funds appropriated. If a high proportion of the cases are contested, it could indicate that the FTC was filing spurious cases or was guilty of sloppy investigation before filing. Feedback from business interests to Congress could result in reduced appropriations to the FTC.

One feature that characterizes some Public Employment Relations Boards is the combination of the dispute settlement and adjudicative functions in the same agency (Helsby and Tener, 1979). PERBs often provide assistance during the negotiation such as conciliation or mediation services. As such, they become partners of the bargaining process. Some of them adjudicate charges of unfair labor practices or failure to negotiate brought by either labor or management. In this capacity they may become an adversary of one of the parties. Further, by adjudicating disputes, their effectiveness in the dispute settlement process may be impaired because of the reluctance on the part of the bargaining unit or school board to provide or exchange information which may be used in the future adjudicative process./6 Although this aspect of PERBs has not been subjected to rigorous investigation, a related aspect, the combination of the prosecution and adjudication functions in the FTC was analyzed by Posner (1972).

The debate in the administrative law literature is that "the combination of prosecution and adjudication in a single agency contaminates adjudication." This point was raised by Elman (1971), who pointed out three potential problem points related to the combination of functions in a single agency:

1. A high rate of dismissals is a confession of ineptitude on the part of the members of the

agency, who authorized the bringing of the cases in the first place.

2. It is a rebuff to the staff that investigated and prosecuted the case on the agency's behalf -- a staff on which the members of the agency depend.

3. It encourages noncompliance with the statute that they are committed to enforcing.

To assess this issue, Posner collected and analyzed dismissal rates, judicial review of cases and resource constraints for both the FTC and the National Labor Relations Board. The FTC always has maintained control over the issuance of complaints as well as their adjudication. On the other hand, the National Labor Relations Board (headquarters) approved all complaints and adjudicated them prior to 1942. After 1942 the National Labor Relations Board (NLRB) instructed its regional directors to authorize them without obtaining Board approval. Thus, prosecution and adjudication were effectively separated.

Analysis of the dismissal rate indicates that the FTC's has always been higher than the NLRB's but the dismissal rate (dismissed in entirety) did not change substantially after the change in the organizational responsibilities. With respect to judicial review, for 1962 the proportion of cases reversed by judicial review were very similar: 33 percent and 37 percent for the NLRB and FTC respectively. Looking at the Board's figures over time, the proportion of NLRB cases overturned increased considerably since it separated functions. Simple examination of the dismissal rate can be misleading since it does not take account of the resources available. Posner examined this aspect and determined that the dismissal rate increased as the available resources per case decreased. As a result, Posner concludes that combining the two functions does not bias adjudication.

Evan (1972) also discussed the FTC. Using the organizational set model, he suggested that the members of the input set may include Congress, the President, the U.S. Court of Appeals and the U.S. Supreme Court, but that its output set includes almost all business and consumers since it is charged with counteracting monopoly practices and consumer fraud. Evan concentrated on two

factors in his analysis. First, the boundary personnel hired tend to be of lower quality than are available. "In recruiting attorneys, the FTC evidently attaches more significance to regional background, old school ties and political endorsement of applicants than to their ability as reflected in grades or in the quality of the law schools they attended" (p. 198). Second, the FTC has not recruited and placed personnel according to the needs of the specific tasks of the agency. For instance, the Bureau of Deceptive Practices in the Division of Food and Drug Advertising had no physicians or scientists to advise it. The more recent controversy surrounding the FTC -- the attitude on the part of some businesses that they are overregulating -- indicates that they have altered their recruitment practices by hiring more activist attorneys.

Evan also analyzed the organization set of three other regulatory agencies: the Securities and Exchange Commission (SEC), the Interstate Commerce Commission (ICC) and the Food and Drug Administration (FDA). Hilton also discussed the regulatory behavior of the ICC and Friedman (1978) analyzed a number of changes undertaken by the FDA.

Securities and Exchange Commission (SEC)

The SEC is charged with regulating the securities industry. Using the organization set model, members of the input set may include Congress, the President and the U.S. Court of Appeals and the Supreme Court. The output set may include the public corporations whose issuance of securities is regulated by the SEC and the brokerage firms. As discussed in the analysis of Nystrom's research, those who are regulated may appeal to members of the input set to alter the manner of regulation. Thus, a potential feedback effect does exist and as a result, the focal organization must be concerned with both elements of its input and output set.

Interstate Commerce Commission (ICC)

The ICC is charged with establishing rates and conditions of service for common carriers engaged in interstate surface transport of goods and services. Evan pointed out that the input set of the ICC is identical to that of the SEC but its output set is smaller since it consists primarily of the 17,000

railway, trucking, shipping and pipeline companies engaged in interstate commerce. Actually, the output set may be even smaller because each mode of transport has its own trade organization representing it before and in almost daily contact with the ICC. Evan suggested that "[t]hrough these informal and formal contacts, members of the output set become, in the course of time, members of the input set, influencing information gathering as well as policy formulation," (p. 195).

The boundary personnel problem is particularly relevant for the ICC. Because of the nature of regulation, boundary personnel get to know the industry and at times individual firms within the industry. These boundary personnel may develop a common normative reference group orientation with the members of the output set. As evidence for this point, Evan documented that of eleven Commissioners to leave the ICC in the late 1960s and early 1970s, six took jobs as top executives with firms in the transportation industry, three became practitioners before the ICC and two retired./7

Hilton commented on the boundary personnel problem but restricted his discussion to the behavior of the Commissioners. Specifically, he indicated that the regulatory system does not provide incentives to the regulators to take a long run perspective. They generally are appointed out of political consideration, seldom serve longer than a decade and "must be mainly concerned with what they will be doing when they leave office, rather than what their industries will be doing after they have left office," (p. 48). Hilton also established that regulatory agencies cannot act to protect the regulated industries interests at all times. If they do so, their actions may receive negative publicity from consumers and may feed back to the input set (legislatures and courts) and result in budgetary cuts or the overturning of decisions.

Food and Drug Administration (FDA)

The FDA is not an independent regulatory agency in the same sense that the above two are since it is a division of the Department of Health and Human Services. Thus, that department is part of its input set in addition to Congress, the President and the Federal Courts. Evan

stated that the output set consists of about 50,000 food manufacturing firms, approximately 1,000 pharmaceutical firms and several trade and professional associations.

The interorganizational problems of the FDA differ slightly from those of the other agencies. Specifically, the technical and scientific demands on the agency are greater (Friedman). This has occurred because in 1962 the FDA was charged with evaluating the safety of drug products sold over the counter of medical devices for human use and the curative value of the drugs. Since the FDA did not have the reputation as a top notch scientific agency, it needed some mechanism to meet its requirements under the law.

There are several dilemmas involved in the change in responsibility. To hire a top notch scientific staff, particularly in 1962, would have been extremely expensive. The size of the staff also was a concern. If the staff is of insufficient size to handle the regular flow of new products, some useful products could be kept off the market, and business interests might pressure the House and Senate to relax the new requirements. If the staff developed is not adequate scientifically, then the scrutiny of new products will be a sham and the agency will lose respect, stature and most likely power.

The solution to this dilemma was the establishment of advisory committees (66 were active in a recent year) to provide expertise not available in the agency. The committees generally consisted of nine members: seven professionals in the field, one a representative of industry and one representing consumers. However, only the scientific members had voting privileges.

The effect of the advisory committee was to place a buffer between the FDA and the industry group it regulates. Although the purpose of the advisory committee was to compensate for the limited in-house scientific expertise, it also might have eliminated the potential for a boundary personnel problem. With access to top notch scientific personnel, the FDA scientists might have adopted them (advisory committee members) as their normative reference group, rather than adopting the industry boundary personnel./8

Public Employment Relations Boards

Evaluations of the operation of the administrative agencies in New Jersey and Pennsylvania recently have been issued by the Public Employment Relations Services. The evaluations address a number of the issues raised in the sections reviewing the theories of interorganizational relations and the findings with respect to other administrative agencies. Among these are the internal organization, the quality, salaries and promotion opportunities of the staff. The public employment administrative agencies in Massachusetts, Montana and Wisconsin also are being evaluated by the Public Employment Relations Services, but will not be addressed here.

New Jersey Public Employment Relations Commission

Known as the Public Employment Relations Commission, it is composed of a Chairman and two part-time Commissioners. The Chairman also is the chief administrative officer of the Commission. Although dispute settlement and adjudication functions are housed in the Commission, they are separated internally into a division of Unfair Practices and Representation and a division of Conciliation and Arbitration. These divisions are separate and there is no overlap of personnel between them.

The evaluators (the Public Employment Relations Services Review and Evaluation Team, 1979) have mixed feelings about this separation. First, they feel that the separation permits the mediators to immerse themselves fully in the mediation process. Second, the separation can lead to some idle capacity, rivalries and jealousies which are not constructive. It does not recommend that the divisions be combined at this time, but suggests that the Commission devise a method to share information.

The other issue the evaluators considered in detail was the quality, salaries and promotion prospects for the staff, particularly the boundary personnel. There was the explicit recognition that the performance of the agency would be only as good as the staff and that competitive salaries were needed to attract competent people. Further, they were concerned about the advancement opportunities of the staff. Given that organizationally, the Commission is rather flat, promotion needed to be reflected in compensation rather than title.

The method of assigning staff to cases is such that it should minimize the normative reference group problem. A rotation method of assignment is used such that the next person on the rotation automatically is assigned the case even if the individual has never worked on the topic before. Moreover, once a case reaches a certain point, it moves to a person in the next hierarchy of the organization. Thus, the same person does not handle the case all the way through and the individual does not build up a special interest with any member of the output set.

In conclusion, the evaluators consider the New Jersey Commission to have succeeded -- the clients of the Commission "perceive the Commission as (1) fair in its judgments, (2) honest in its decisions and operations, (3) responsive to the needs of the parties, (4) relatively prompt in its determinations (with the exception of some adjudications) and (5) minimizing bureaucratic red tape"(p. 18). However, they also conclude that the success of the Commission is not a function of the structure, but rather, it is due to the high quality of the Chairman of the Commission.

Pennsylvania Labor Relations Board, Bureau of Mediation

Two agencies are involved directly in public employment services in Pennsylvania: the Pennsylvania Labor Relations Board and the Bureau of Mediation. The Pennsylvania Labor Relations Board is headed by a Chairman of the Board. There are two other Board members and an Executive Director. Further, there is a Regional Director located in Pittsburgh and another Regional Director located in Philadelphia. The Bureau of Mediation is headed by a Director plus there are four Regional Directors.

The evaluation team studied essentially the same factors as they did for New Jersey. The key point of their evaluation pertained to the relationship of the agency to members of the input set. Two elements are emphasized. First, the Board and the Bureau are contained in the Department of Labor and Industry. As such, their budgets are determined by the Department and funds may be transferred to other agencies in the Department for other purposes. Thus, the resources available to the Bureau and Board are subject to intradepartmental

political manipulation. The evaluation team recommended

> "that both the Board and the Bureau be removed from the Department of Labor and Industry. The Commission should be a completely independent agency with an opportunity to prepare its own budget like the other departments of the Commonwealth" (p. 21).

Second, the attorneys who work for the Board are employees of the Attorney General. This creates a conflict of interest because the Attorney General is the top legal officer of the State and occasionally the State will be party to a suit before the Board. Thus, since the Attorney General also supervises the work of the Board's attorneys, it may affect the impartiality, and therefore, the credibility of the Board, particularly when the State is party to a complaint before the Board.

A literature search did not reveal any specific case studies of the interorganizational relationships between teachers' unions, school districts and PERBs. One study (Chauhan, 1977) did point out possible implications for administrative agencies vis-a-vis the courts. In Sampson v. Murry (42 U.S.L.W., 1974), the U.S. Supreme Court indicated that courts should not become involved in public employee personnel problems until all avenues within the administrative process have been exhausted. This case, combined with the findings in another case, Christian v. New York State Department of Labor (42 U.S.L.W., 1974) indicated that the Court prefers that the administrative agencies be used before the Court will be willing to entertain complaints. Chauhan wrote:

> These decisions have led to a speculation that the Supreme Court may be advising "lower courts" to back off on public employee cases and stop interfering with the administrative functions of federal agencies (p. 361).

Although directed to federal employees, these rulings may serve as precedents for state employees.

IMPLICATIONS FOR PUBLIC LABOR RELATIONS AND ADMINISTRATIVE AGENCY BEHAVIOR

Since our concern is the behavior of the administrative agency, the organization set model appears to be the most appropriate analytical device because it permits concentrating on the agency as the focal organization. Evan (1966) proposed five hypotheses about interorganizational relationships that should provide a good starting point for consideration of the implications for this organization set.

> 1. The higher the concentration of input organizational resource, the lower the degree of autonomy in decision making of the focal organization (p. 180).

The input set provides legitimacy, legality and resources for the focal organization. A Public Employment Relations Board would not exist without the authorization and appropriation of the legislature, nor could it continue to operate without the continued budgetary support of the legislature. Therefore, it would appear that the decision-making autonomy of PERBs is somewhat limited. This is even more of a problem when a PERB is housed within an existing department and does not have to go before the legislature to receive its appropriation. There are also feedback mechanisms to consider. The concentration of input resources in the legislature suggests that all operations of the PERB probably take place with careful consideration of the original mandates of the authorizing legislation since it may be a good indicator of the expected behavior. If the relationships of the PERB with members of its output set is unsatisfactory, the output set may go to the input set and express dissatisfaction with the PERB. Consideration of this possibility could reduce the autonomy of the PERB even more./9 Hilton stated that Commissioners adopt a "minimal squawk" behavior to reduce the likelihood of negative feedback.

The feedback mechanism also can work in the opposite direction -- output set members praising the performance of the PERB. The interpretation of this feedback is unclear. Positive feedback could indicate impartial and high quality actions by the agency or it could also indicate that the PERB has been co-opted, bringing the effectiveness of the PERB into question. This is not a

problem if the output set is expanded to include the public and it is the public which is seeking to have more resources directed to that agency. Because the PERB is serving at least two client groups, which tend to have opposing views, it is unlikely that both would provide positive feedback if the PERB has been co-opted.

One mechanism that would increase the autonomy of the PERB is if it had its own and relatively stable revenue source. Taxing power should not be vested in the agency, but its autonomy would be increased if the funds from one tax source were designated as automatically going to the agency. This would insulate the agency somewhat from the annual appropriations process, although it would still be accountable because the tax source could be removed by legislation.

> 2. The greater the size of the organization set, the lower the decision-making autonomy of the focal organization, provided that some elements in the set form an uncooperative coalition that controls resources essential to the functioning of the focal organization, or provided that an uncooperative single member of the set controls such resources (p. 181).

Consider the possibility that the Public Employment Relations Board is responsible for monitoring all public sector labor relations, thereby making the organization set very large, particularly on the output side. This may either increase or decrease the number of constraints. For instance, if the output set is stable, similar decisions will have to be rendered in somewhat similar cases even though the exact facts of the case may warrant a different one because the output set members will notice any deviations. Therefore, the decision-making autonomy has been diminished. Conversely, if the agency's output set is expanding, the agency may have more discretion as the interests of current members can be balanced against those of potential members.

The caveats raised by Evan create even more difficulties. Specifically, it is easy to envision either all public sector labor groups or all public sector management groups forming a coalition to lobby the legislature if the decisions are perceived to favor one group or the other. If the PERB adopts a decision-making policy that continuously splits the difference,

they may escape the formation of a negative coalition, but they may appear to be inconsistent and probably are ineffectual.

The above dilemma probably is very real, given the finding by McDonnell and Pascal (1979) that statewide teacher groups have attained considerable power in legislatures and state administrative agencies through political action. The power in the legislature is particularly critical since it is the key member of the input set and the controller of resources. The reader will have noticed that the implicit assumption so far is that the administrative agency is an independent agency rather than being housed in a department of the state government. The second case would expand the input set even more and may reduce access to resources.

> 3. The greater the degree of similarity of goals and functions between the organization set and the focal organization, the greater the amount of competition between them, and hence the lower the degree of decision-making autonomy of the focal organization (p. 182).

This hypothesis appears to have only limited applicability to the operation of PERBs except in the circumstance where the legislature also tries to enter into dispute resolution./10 Since the legislature can accommodate the positions of the parties to the dispute by making the resources available, and since it also controls the resources of the PERB, parties to the dispute will go to that organization from which they feel they can extract the best deal. Thus, the autonomy of the PERB will be undermined.

Another perspective to this issue employs the exchange theory of interorganizational relations. Consider the possibility that the primary goal of the focal organization and members of the output set is to increase the resource flow into the education sector. Although the teachers' union and school board may be natural adversaries, with the PERB as a neutral and prohibited from lobbying, they may join forces lobbying, de facto, for additional dollars rather than the normal posture. The question may arise as to why the PERB would enter into a coalition to obtain more resources./11 The PERB may simply want to develop its own constituency and to expand its authority, which could be accomplished by more resources moving into this sector.

4. The greater the overlap in membership between the focal organization and the elements of its set, the lower its degree of decision-making autonomy (p. 184).

This hypothesis also appears to have only limited relationship to this sector. Trade unions, school boards and PERBs tend to be mutually exclusive sets. There are a number of exceptions, however. First, the case when the appointees to the PERB are nominated according to whether they represent the interests of unions or employers. Second, the situation when certain legislators, who are important elements of the input set of the focal organization, are identified very closely (and draw their support from) either public sector unions or management groups. Third, the case when staff members of a PERB also are unionized./12

5. Normative reference organizations have a greater constraining effect on the decisions of the focal organization than do comparative reference organizations (p. 185).

Evan is referring to the boundary personnel problem in this hypothesis. Recall that a normative reference group is one whose values or goals (in some form) have been adopted by the focal organization. Specifically, the effectiveness of regulatory/administrative agencies may be impaired if the boundary personnel adopt the group that they are to regulate as their normative reference group.

Which organizations would the PERB adopt for comparative reference and which ones would it adopt for normative reference? If the PERB is an independent agency or a branch of a department, it probably accepts other agencies or branches in its department as its comparative group since it is competing for resources with those organizations. Normative reference organizations may include the legislature or other members of the input set. For the boundary personnel the normative reference group may consist of the union or the school board. Through repeated contacts with one or the other they may adopt that organization's goals./13 Their effectiveness may be impaired because they would no longer be impartial and would not be able to decide cases on their merits. Therefore, it is possible that normative reference groups may constrain the decisions

of the focal organization.

The hypotheses suggested by Evan brought out many salient questions about the operation and structure of the administrative agency. Three issues still need to be addressed. They are: (1) initiative versus reactive posture, (2) the insulation of boundary personnel and (3) measurement of effectiveness. Each is discussed in turn.

The power dependency approach asserts that the motivation to interact is asymmetrical. Unions and school boards probably would not approach PERBs except that they are required by statute to do so. PERBs do not control additional resources, but can only redistribute existing resources. If the PERB can initiate complaints, such as imposing arbitration, rather than just responding to them, the relationship between the focal organization and the members of its input set could change significantly. Specifically, when the PERB redistributes resources in the reactive mode, it is affirming a current distribution or redistributing them within a range that parties have agreed to. But in the initiative mode, the redistribution may not fall within a range that is acceptable. Therefore, the power dependency relationship would shift from the PERB being dependent on the bargaining partners to the bargaining partners being dependent on the PERB.

The boundary personnel problem has been discussed in a number of instances, but the functions and structure of the PERB suggest a possible solution. Some of the main functions of a number of PERBs are conciliation, mediation, fact-finding and arbitration, activities which occur during the actual bargaining process. In some instances, these functions are being handled by consultants rather than by staff members. If staff members are not involved directly in the actual distribution of resources, but are involved only in the coordination, research and data gathering functions, the incentive to adopt the union or school board as the normative reference group may be reduced. As Evan suggested and Hilton asserted, the effectiveness of regulatory agencies has been impaired by boundary personnel making decisions that favored the companies they were regulating with the anticipation of being offered employment with that firm as a reward for their actions.

Another point for consideration when analyzing the performance of regulatory agencies is the number of cases (complaints, requests for action) brought and the distribution of who brings the cases. If the number of cases brought is small relative to some expected norm it could be indicative of strong dissatisfaction by members of the output set with the PERB or it also could suggest that the output set is going directly to some member of the input set for resolution of complaints. If the distribution of cases brought indicates that only one faction of the output set is utilizing the services of the PERB, it might indicate that the PERB is redistributing resources exclusively in one direction, rather than being neutral. This may be occurring because the boundary personnel have adopted one faction of the output set members as their normative reference group or because the entire collective bargaining environment (statutes, rules and regulations) favors one side relative to the other. Therefore the disfavored side, rather than utilizing the system, may be concentrating its resources on changing the environment.

For instance, consider the Massachusetts Labor Relations Commission, which in its 1979 Annual Report, reported the distribution of cases brought and who brought them in during the four fiscal years from 1976 through 1979. Between 1976 and 1979 the number of complaints filed by or against a municipal employer increased from 305 to 433. The distribution of cases changed, however. The ratio of complaints filed by the municipal employer to complaints filed against the municipal employer was .186 in 1976, .305 in 1977, .191 in 1978 and .104 in 1979. Although it is expected that the employer would tend to file fewer cases, the substantial decrease in the proportion filed is the real issue. This trend could be an indicator of disenchantment by the municipal employers with the services provided by the agency and should cause the agency to reexamine the way it is interacting with members of its output set.

CONCLUSIONS

The limited number of studies of Public Employment Relations Boards makes deriving inferences and recommendations about those aspects of the agency that have contributed to its successful operation extremely difficult. This situation is compounded by the limited number of studies that have been generally favorable to the performance of any regulatory agency or that have found any agency to have carried out its duties successfully. In addition, the structure of the administrative agency-client groups is somewhat different from that commonly observed in other sectors. In spite of these obvious handicaps, several findings or implications are possible. The first finding is the foundation for all of the others. Specifically, the organization set approach seems to be the most appropriate theoretical construct for analyzing the relationships between school district employees, school districts and the administrative agency.

Resources are the key, not only to autonomy, but also to decision-making that is impartial and in the interest of the general public. The agency must also be accountable since public monies are being used. Among the structural aspects that might lead to autonomy and still maintain some accountability are to establish the PERB as an independent agency in the state government and provide it with a relatively stable source of income. The PERB should not have its own taxing power, but perhaps it should receive a fixed share of some tax source -- such as one mill of the tax levy placed on property in all school districts in the state. A fixed share would insulate them from the yearly budgetary process and the problems involved in that, yet it would still make the PERB ultimately accountable. It would be more difficult for the input set to abolish the PERB for making an unfavorable decision by eliminating its fixed revenue source than it would be to cut its budget. It is always more difficult to make discrete changes rather than incremental ones.

One possible solution to the problem of the size of the organization set would be to maintain one PERB, but to separate its functions along product lines. For instance, one separate division of a PERB could devote its energies exclusively to education collective bargaining, another to municipal services and a third to

other special taxing districts. This could encourage decision-making autonomy within divisions.

Related to autonomy is the necessity of neutralizing the members of the input set so that unions or school districts do not whipsaw the PERB. The establishment of well written and detailed procedures and requirements for the use of the PERB is one aspect along with a court system that does not intervene in the administrative procedure until the established procedures have been exhausted.

The appointment of Commissioners is an extremely important area. Should a Commissioner have a constituency or should the post be nonpartisan? Hilton discussed the problem of the Commissioner generally taking the short run perspective because their appointments are political and they need to have an alternative employment opportunity when the fixed term ends. Perhaps appointments of nonpartisan individuals for life may circumvent the short run perspective adopted and lead to decisions that are made in consideration of the welfare of the public as a whole. Judicial review would be available to maintain quality control, and therefore, the accountability of the Commissioners.

Boundary personnel are another important consideration. To avoid the normative reference group problem, rotating them among types of cases, as is done in New Jersey, may be a solution. The use of consultants in sensitive situations where the distribution of resources is of a certain magnitude may short circuit the incentive for boundary personnel to make decisions consistently favorable to one group or the other. Further, obtaining the most qualified individuals possible for these positions should be a high priority. Trading off salary for job security may lead to perverse results. The importance of salary and promotion possibilities for the successful performance of an agency was also emphasized in the New Jersey report.

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FOOTNOTES

1/According to the recently published Rand Corporation study, Organized Teachers in American Schools, statewide teachers' groups have attained considerable power in legislatures and state administrative agencies through political action. If the political action is strong enough, they may be able to attain favorable legislation. In fact, a charge being heard more often is that the regulatory agency -- irrespective of the activity to be regulated -- has come under the influence of those to be regulated (Stigler, 1971; Hilton, 1972; Evan, 1972; Noll, 1975; Peltzman, 1976). Others would argue that, in some instances, the legislation establishing regulation/administration has been demanded by those to be regulated (Stigler; Peltzman; Wendling and Werner, forthcoming).

2/Benson described this relationship as follows: "Authority to conduct activities is generally assumed to imply a claim upon money adequate to performance in the prescribed sphere," (p. 232).

3/The invisible hand of economic theory is credited with leading to utility maximization on the part of consumers and productive efficiency on the part of producers. However, the key feature is that all individuals are assumed to respond in the same way in order to achieve utility maximization and the actions of one person do not interfere with the actions of others. It is questionable whether this last aspect is met. Furthermore, the economy as a whole does not have a goal, whereas the organization network does or should.

4/These criteria are quite similar to Marshall's (1961) measures of bargaining power which are: (1) the degree of substitutability among factors, (2) the elasticity of demand for the final product, (3) the ratio of costs of this operation to total costs and (4) the elasticity of supply of cooperating factors. Elasticity is a measure of response. In these instances it is referring to the response to changes in price.

5/Nystrom suggested that labor productivity, defined as the ratio of agency output -- formal complaints + cease and desist orders + litigations -- to the number of employees was negatively related to appropriated funds. That is, as the output of each employee increases, the

agency should receive less funds. The fact that the estimated relationship was positive, although insignificant, instead may suggest that Congress was allocating funds to those agencies most efficient in utilizing them.

6/"The concern has been that the parties will not trust mediators if the agency assigning mediators has adjudicative responsibilities and they will not have confidence in the decisions of an agency that sends out staff who must deal with the parties on a private and confidential basis. The experience of the states that use a single agency indicates that when the agency is properly administered, these problems seldom arise," (Public Employment Relations Services Review and Evaluation Team, 1978). Even if the two functions are not combined, the principals in the adjudicative process most likely have subpoena power, so that access to information can also be obtained through that mechanism. Furthermore, although some statutes require that certain information be supplied to the agency, it is likely that the statutory demands would generate less sensitive information than that garnered through direct participation in the mediation process.

7/The Ethics In Government Act of 1978 is an example of trying to reduce the incentive for boundary personnel to adopt the output set as their normative reference group. Specifically, effective February 1, 1980, former federal workers are prohibited, for the two-year period after leaving the federal government, from acting as a representative before the government on matters in which the employee had official responsibility.

8/The Labor Relations Commission of Massachusetts has an Advisory Council on Employment Relations. Although the activities of this Council have not been determined by the author, it is possible that the Advisory Council helps to keep the staff members abreast of new developments in this field and may suggest concerns with recent decisions.

9/A case in point was the Hospital Rate Commission for the state of Colorado. This Commission was created in 1977 by the Colorado legislature in response to increased consumer and governmental concern over the rising cost of hospitalization. The Commission's authorization was rescinded by the legislature in 1979 after members of the output set -- hospitals regulated

by the Commission -- went before the legislature and expressed extreme dissatisfaction with the performance of the Commission.

10/This case is similar to elected officials not directly responsible for the operation of the school district, particularly a mayor, entering into local negotiations. Such intervention undermines the position of either the public management bargainer or an arbitrator, particularly since the mayor has access to additional resources, rather than just being able to redistribute an existing pool of resources.

11/The following quote addresses this point.

> "A number of participants at a public sector labor relations conference in Washington earlier this month predicted conditions in this decade will bring management and labor closer together by necessity. Economic restraints such as tax and spending limitations and double-digit inflation mean less job security for public employees and a greater need for local governments to keep costs down, they agreed..... These mutual problems make it more essential that labor and management develop a stable bargaining relationship and end their adversarial one, many said." Education USA, vol. 22, No. 22 (January 28, 1980).

12/One example of collective bargaining by employees of the agency administering public labor relations is that of Montana. The Montana Board of Personnel Appeals, which was established before public collective bargaining and assigned administration when a statute was enacted, permits its employees to bargain. In 1979, however, it restricted representation to a labor organization unaffiliated with a "labor organization that represents any employees other than employees of the board."

13/It would appear that this problem would be more acute for boundary personnel if they were in contact with the same members of the organization set most of the time. If they were rotated among members, the goals or values might not seem as homogeneous and might be more difficult to adopt.

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